industrial undertakings, attractively organised, which prevent, so far as the public respond to their inducements, part of the fund of savings and comparatively idle money from proceeding to enhance prices by purchases on the Exchange.

The reader will frequently meet with the remark that " the rise in the bank rate produced a fall in the prices of securities." The preceding explanations will enable him to interpret the statement; and although the relation between the two facts has already been generally described, it may be serviceable again to point out their connection. When the rate of interest advances, or money becomes dearer, those who have purchased stocks on borrowed capital when money was cheap, sooner or later find that the rate they have now to pay on their loans exceeds the rate realised from the investment; their power of holding the stocks consequently diminishes (a man cannot afford to give 4-J per cent for a loan and only receive 3^ per cent from the security which it brought); their bargains then must be closed by a sale of the stocks, with a resulting depression of values. The same cause—the advance in the price of money—prevents speculators from borrowing for investment on the Exchange, and thus reduces the extent of demand by the diminution of possible buyers. And, tending in the same direction, investors who would have purchased stocks are attracted by the higher rate of interest to lend their savings to better advantage by depositing the money with banks at the increased return, or making advances directly on the current terms. They thus obtain a larger income than investments on the Exchange would yield. Hence, in consequence of sales on the one hand and the dearth of buyers on the other, the demand grows inferior to the supply, and prices decline as the effect of these combined causes. The contrary result is produced by a low rate of money ; capital is borrowed for Stock Exchange investment on account of the superior yield from stocks, and loans at such a period securing but a small remuneration, savings are naturally directed to more productive sources on the Exchange.

(See Note, p. 169.)

It is an observation generally applicable to the conditions and effects considered in this book that the various courses of events and their results must rather be regarded as tendencies